

Message Text

CONFIDENTIAL

PAGE 01 LONDON 10481 061743Z

54

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 027171

R 061737Z JUL 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3412

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 10481

EXDIS

E.O. 11652: XGDS-1

TAGS: ENRG UK

SUBJECT: NORTH SEA OIL: ESSO REACTION TO BP AGREEMENT
TO MAJORITY STATE PARTICIPATION

REF: LONDON 10413, 9122, 6947, 4760, 4583

1. REID (ESSO EUROPE) TELLS US SHELL ESSO MET WITH SECSTATE BENN, PERMSEC RAMPTON AND LORD KEARTON OF BNOC ON JULY 2 FOR ANOTHER DISCUSSION OF PARTICIPATION ARRANGEMENTS. IN WAKE OF MEMORANDUM OF PRINCIPLES AGREED TO BY BP (SEE REFTEL), BENN PRESSED HARD FOR AGREEMENT ALONG SIMILAR LINES BY SHELL/ESSO BY END OF JULY. COMPANIES ARE RESISTING AND HOPE TO DELAY FURTHER DETAILED CONSIDERATION UNTIL AFTER SUMMER HOLIDAY PERIOD.

2. ACCORDING TO REID, SHELL/ESSO ARE EXTREMELY DISAPPOINTED IN BP FOR CAVING IN TO BENN'S INSISTENCE ON BNOC INVOLVEMENT IN BP'S DOWNSTREAM REFINING AND MARKETING ACTIVITIES. SHELL/ESSO ARE SKEPTICAL OF KEARTON'S CONTENTION THAT BNOC IS NOT INTERESTED IN COMMERCIAL INVOLVEMENT DOWNSTREAM IN ORDER TO MAKE MONEY DOWNSTREAM BUT RATHER AS MEANS OF BECOMING EDUCATED IN INDUSTRY PRACTICES. ESSO BELIEVES BNOC WILL PLAY "OBSERVER" ROLE ONLY UNTIL SUCH TIME AS IT FEELS CAPABLE OF COMPETING WITH PRIVATE INDUSTRY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 10481 061743Z

3. REID CHARACTERIZED BENN AS CHAMPING AT THE BIT AFTER HAVING WON QUITE A VICTORY OVER BP AND DETERMINED TO REACH AN AGREEMENT WITH SHELL/ESSO WHICH IS CONSISTENT. REID OBSERVED HOWEVER THAT SINCE BP NOW IS TO ASSUME ROLE OF BNOC'S "TEACHER" DOWNSTREAM, THERE IS NO REAL NEED FOR SHELL/ESSO TO DUPLICATE THE EDUCATIONAL FUNCTION. HE BELIEVED MOREOVER THERE MIGHT BE LEGAL AND OTHER PROBLEMS CREATED SHOULD SHELL/ESSO AGREE TO A NON-VOTING DIRECTOR PRESENCE IN DOWNSTREAM ACTIVITIES WHERE BNOC HAD NO RIGHT OF PARTICIPATION.

4. REID CONCLUDED THAT HE WAS NOT TOTALLY DOWNCAST ABOUT CHANCES FOR STRUCTURING A SATISFACTORY AGREEMENT, BUT HE RECOGNIZED POLITICS OF SITUATION MAY FORCE SHELL/ESSO TO ACCEPT MODE OF SETTLEMENT WHICH IS SOMEWHAT DIFFERENT FROM CONTINGENT OIL OPTION APPROACH PREVIOUSLY FAVORED BY ESSO (SEE LONDON 4760). HE THOUGHT CONTINUED ASSOCIATION OF HAROLD LEVER WITH PARTICIPATION NEGOTIATIONS MIGHT BE KEY TO OBTAINING REASONABLE DEAL, ALTHOUGH HIS INFLUENCE UNDER CALLAGHAN AS PRIME MINISTER IS NOT AS GREAT AS UNDER WILSON.

SPIERS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, AGREEMENTS, MEETING REPORTS, OFFSHORE OIL FIELDS, NEGOTIATIONS, EXPLORATORY DRILLING
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JUL 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON10481
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D760260-0620
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760786/aaaacxti.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 76 LONDON 10413
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by BoyleJA>; APPROVED <04 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NORTH SEA OIL: ESSO REACTION TO BP AGREEMENT TO MAJORITY STATE PARTICIPATION
TAGS: ENRG, UK, ESSO EUROPE, SHELL INTERNATIONAL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006